

# Lesson 3. Preventing Charity Fraud

## Lesson Purpose

To provide strategies and resources for evaluating charities and tips for safe giving.

## Learning Objectives

Participants will be able to:

- Recognize questionable fundraising techniques.
- List key questions to ask before giving, and find sources of information for checking out charities.
- Identify specific strategies for safe giving.

## Materials

Presentation: Preventing Charity Fraud

Handout(s): Tips for Safe Giving

Supplement: Helping Older People Avoid Charity Fraud, from Federal Trade Commission. Download at [www.ftc.gov/ftc/consumer.htm](http://www.ftc.gov/ftc/consumer.htm)  
Display copies of fraudulent charity solicitations.

## Related Resources

The American Institute of Philanthropy – [www.charitywatch.org](http://www.charitywatch.org)

The Better Business Bureau Wise Giving Alliance – [www.give.org](http://www.give.org)

Philanthropic Research, Inc. – [www.guidestar.org](http://www.guidestar.org)

Charitable Choices – [www.charitychoices.com](http://www.charitychoices.com)

## Lesson Plan

Time	Main Points	Slide
<b>Introduction</b>		
5 min.	<b>Background</b> The American people are among the most generous in the world. Charities in this country raised about 200 billion dollars in the year 2000; 86 percent of this amount came from individuals.	1 - 2
	Fraudulent fundraisers and other disaster-related scam artists operate in the shadiest areas of society. They rarely meet fact-to-face with their victims, preferring the telephone, the mail and the Internet to prey upon a donor's charitable instincts. They often target the elderly and use manipulative techniques that rely heavily on a person's emotional vulnerability and kindness of heart.	2

Time	Main Points	Slide
	The vast majority of contributors give to organizations without first checking them out. A willingness to give and a trusting nature are traits that can lead donors to give to charities that range in honesty from questionable (spending only a fraction of donations on the cause itself) to outright fraudulent.	2
	Briefly describe a recent, local example of charity fraud.	
	Today, we will look at some questionable fundraising practices that are “red flags” for further investigation before giving; we will learn some key questions to ask before giving and some sources of information for checking out charities. We also will review some specific strategies for safe giving.	3
	Distribute Handout: Tips for Safe Giving	
<b>Presentation</b>		
10 min.	<p><b>Questionable Fundraising Practices</b></p> <p>These should serve as "red flags" for further investigation before contributions are made.</p> <p><u>Prize offers</u>: potential donors are told they have won a contest and are eligible for a prize if they make a tax-deductible donation to a charity. The prize is usually worthless and the charity often gets very little of the money, or none at all.</p> <p><u>Donated-back tickets</u>: potential donors are encouraged to buy tickets and then donate them back so that they can be passed on to those who could not otherwise attend the event. Often the tickets never reach the needy.</p> <p><u>Chain letters</u>: these unsolicited appeals usually are in the form of e-mail and ask potential donors not only to contribute to an organization, but also to forward the e-mail on to friends, family members, and people on their personal e-mail lists.</p> <p><u>Unsolicited gifts</u>: usually just tokens, they are enclosed in direct mail solicitations to make the recipient feel obligated to give something in return.</p> <p><u>Emotional appeals</u>: either verbal or written, they often involve graphic descriptions of need, in order to play on the sympathy of potential donors.</p> <p><u>High-pressure tactics</u>: a solicitor urges the potential donor to give money (usually cash) immediately, before having a chance to review information about the soliciting organization.</p>	4

Time	Main Points	Slide
	<p><u>Spam e-mail</u>: unsolicited e-mail sent to many people at once and often containing an emotional appeal and links to a Web site where potential donors can make an instant online donation using a credit card.</p> <p><u>Sound-alike names</u>: these are usually very similar to high-profile charities that are known and trusted by the general public.</p> <p><u>Hastily constructed Web sites</u>: often set up within hours of a large-scale tragedy - that contain many typos and grammatical errors and claim to be collecting for victims or victims' families.</p> <p><u>Promises of special treatment</u>: by the local police or fire department offered by fundraisers claiming to be collecting on their behalf.</p> <p><u>Deceptive bills and invoices</u>: indicate an amount owed, or promised to a particular charity, when no such commitment was made.</p>	5
6 min.	<p><b>Questions to Ask Before Donating</b></p> <p><b><i>How much of your donation will go to the program services that the charity claims to support and how much will go to general administration and fundraising expenses?</i></b></p> <p>The American Institute of Philanthropy suggests that 60 percent or more of total donations is a reasonable amount to be spent on program services, with the remaining percentage spent on fundraising and general administration. To be eligible for the Combined Federal Campaign, charities must spend 25 percent or less of their income on overhead.</p>	6
	<p><b><i>Does the organization have written materials it can send you?</i></b></p> <p>Ask for:</p> <ul style="list-style-type: none"> <li>▪ Brochures or fliers that give details about the program and state the exact name of the organization and its address, phone numbers and Web site.</li> <li>▪ Annual report that lists the board of directors, the mission statement and the most recently audited financial statements.</li> <li>▪ IRS Form 990, which is filed annually and includes information about the organization's budget and plans.</li> <li>▪ Tax-exempt letter that indicates the organization's status with the IRS and its non-profit tax ID number.</li> <li>▪ Verifiable references or testimonials.</li> </ul>	6

Time	Main Points	Slide
	<p><b><i>Does the charity qualify for the 501(c)(3) charitable tax-exempt status under the Internal Revenue Code? If so, how much of your donation will be tax deductible?</i></b></p> <p>Generally, only contributions to organizations that are tax exempt under section 501(c)(3) of the Internal Revenue Code are tax deductible. If you get a gift or other benefit in exchange for your donation, the full amount paid is not deductible as a charitable donation. The public can find out whether a particular organization has been recognized by the IRS as eligible to receive tax-deductible contributions by calling the IRS Exempt Organizations' toll-free phone number for customer assistance (877)-829-5500, or by checking the IRS web site: <a href="http://www.irs.gov">www.irs.gov</a>.</p>	6
	<p><b><i>Is the charity registered with the local state charity office or regulatory agency?</i></b></p> <p>Call the Virginia Office of Consumer Affairs to verify that the charity is appropriately registered to solicit money in this state.</p> <p><b>Charity Watchdogs</b></p> <p>Charity watchdog groups can provide valuable information about non-profit organizations. They typically solicit information from non-profit organizations about their programs, finances and fundraising practices and provide the information to the public via their Web sites or publications, often with a grade or rating for each charity investigated.</p> <p>Major watchdog groups and their Web sites are included on your handout.</p>	6
2 min.	<p><b>Before you give</b></p> <ol style="list-style-type: none"> <li>1. Ask how your money will be used. What percentage will go to the actual programs versus the administrative and fundraising costs?</li> <li>2. Request written information that gives the full name, address and phone numbers of the organization as well as a description of the programs it supports.</li> <li>3. Check out any charity you don't know with the local charity registration office, Better Business Bureau or a charity watchdog group.</li> <li>4. Do not succumb to high pressure or emotional appeals that urge you to donate on the spot. If you are unsure, don't be afraid to turn down the solicitation, or to ask for more information and time to make your decision.</li> <li>5. Do not be fooled by names that closely resemble the name of a respected and well-known charity. Make sure you know who you are dealing with.</li> </ol>	7

6 min.	<p><b>If you decide to donate</b></p> <ol style="list-style-type: none"> <li>1. Give directly to the charity if possible, rather than to an organization claiming it will forward your donation to the charity.</li> <li>2. Keep careful records of all your donations so you can document your giving at tax time, and so you can identify fraudulent scams that claim you made a pledge that you don't remember making.</li> <li>3. Ask for the charity's tax-exempt letter indicating its IRS status. You can't claim a tax-deductible donation if the charity does not have one.</li> <li>4. Never give cash. Make your contribution in the form of a check made payable to the full name of the charity. For donations under \$250, a cancelled check or similar receipt is enough documentation for the IRS. For larger donations, a receipt from the charitable organization confirming your tax-deductible contribution is required.</li> <li>5. Provide your credit card number only if you are certain that you are dealing with a legitimate charity. If you do decide to make a donation via the Internet using your credit card, make sure that your e-mail will be encrypted so it cannot be intercepted or read by a third party.</li> <li>6. Don't provide your Social Security number. A charity does not need it in order for you to claim a tax deduction. Simply claim the contribution on your tax return. Stolen Social Security numbers also can increase the chance of you becoming a victim of identity theft.</li> </ol>	8
4 min.	<p><b>If You Suspect Charity Fraud</b></p> <p>It is a federal felony for anyone to engage in mail fraud, wire fraud or credit card fraud. If you suspect charity fraud, contact the following:</p> <ul style="list-style-type: none"> <li>▪ Start with local law enforcement, especially if the suspicious organization is operating within its jurisdiction.</li> <li>▪ Also contact the Attorney General's office.</li> <li>▪ The Postmaster or Postal Inspector should be informed of any suspicious organizations soliciting by mail. This includes a request for a donation disguised as an invoice.</li> <li>▪ Suspicious solicitations also should be reported to the local Better Business Bureau and to its Wise Giving Alliance.</li> <li>▪ The Federal Trade Commission, Internet Fraud Complaint Center and National Fraud Information Center also accept complaints.</li> </ul>	9
2 min.	<p><b>Summarizing</b></p> <ul style="list-style-type: none"> <li>▪ Some fundraising practices raise "red flags" – use caution with these solicitations!</li> </ul>	10

	<ul style="list-style-type: none"> <li>▪ Before giving, investigate charities by contacting watchdog organizations and asking some key questions about how the money is used and what percentage of it pays for programs. Ask about the non-profit status of the organization and whether it is registered with authorities.</li> <li>▪ If you do decide to donate, give directly to the charity, keep careful records, document the tax-exempt status of the organization, never give cash and avoid giving your credit card or Social Security numbers.</li> <li>▪ If you suspect charity fraud, report it -- even if you are embarrassed.</li> </ul>	
<b>Practice/feedback</b>		
10 min.	<p>Have participants organize into small groups of 4 or 5. Ask participants to review the list of questionable fundraising practices; then discuss strategies for responding to these appeals in their small groups.</p> <p>Instructor highlights strategies used, solicits audience to name other strategies that could be used and reinforces key learning points.</p>	11
<b>Evaluation</b>		
10 min.	<p><b>Set-up</b></p> <p>We have a few minutes for questions and additional discussion. While we are doing that, we have a brief evaluation form we would like for you to complete and leave with us. Your name is not required, but your feedback is very important. It will help us improve our presentation and program.</p> <p>Distribute evaluation forms and ask for questions or additional comments on what has been presented.</p> <p>Promote group discussion by encouraging audience members to help respond to questions. Use questions as an opportunity to clarify and reinforce key learning objectives.</p> <p><b>Wrap-up</b></p> <ul style="list-style-type: none"> <li>▪ Thank the audience for their attention and participation.</li> <li>▪ Express appreciation to the sponsoring organization for the opportunity to speak.</li> <li>▪ Remind them to leave evaluation forms.</li> </ul>	12

### 3. Preventing Charity Fraud

Please tell us what you think about this lesson by circling the numbers that most closely reflect your opinions.

After this lesson . . .	Strongly Disagree	Disagree	Agree	Strongly Agree
a) I am better able to recognize questionable fundraising techniques.	1	2	3	4
b) I know more about key questions to ask before giving.	1	2	3	4
c) I know more about resources for checking out charities.	1	2	3	4
d) I am now more likely to report activities or offers that appear to be fraudulent appeals.	1	2	3	4
<b>About this lesson . . .</b>				
e) The information presented was valuable.	1	2	3	4
f) The lesson was presented in a clear and understandable manner.	1	2	3	4
g) Lesson activities and discussion were helpful.	1	2	3	4
h) I would recommend this lesson to others.	1	2	3	4

**What was the most valuable thing you learned?**

**Please give one example of how you plan to use the information presented in this lesson.**

**How could this lesson be improved?**

